Annual Report 2000/2001

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PENSION CORPORATION

BRITISH COLUMBIA

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PENSION CORPORATION
BRITISH COLUMBIA

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Annual Report 2000/2001

Vision

Pension services professionally provided

Mission

Acting on behalf of
the trustees of public sector pension plans,
we serve plan members by:

- managing members' accounts
- calculating and paying member benefits
- providing information to members and employers
- supporting trustees with administration and policy advice

We do so in a way that is:

- responsive
- accurate
- efficient

Values

- Integrity
- Service
- Respect
- Teamwork

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PENSION CORPORATION

BRITISH COLUMBIA

Annual Report 2000/2001

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Mandate

THE BRITISH COLUMBIA PENSION CORPORATION (the corporation), a Crown Corporation of the Province of British Columbia, was created on April 1, 2000 with the proclamation of the *Public Sector Pension Plans Act*. The corporation is one of the largest pension benefit administrators in Canada, and provides services to seven pension plans involving over 78,000 retirees, over 240,000 active contributors and over 800 employers.

The corporation is governed by an eight-member board of directors (the board). The members are appointed by the trustees of the College, Municipal, Public Service and Teachers' pension plans. The board selects its own Chair, and appoints the Chief Executive Officer of the corporation.

The corporation acts as the pension benefit administrative agent of the boards of trustees of the four pension plans and in addition provides pension administration services to the sponsors of the BC Rail Ltd. Pension Plan, the Workers' Compensation Board Superannuation Plan and the Members of the Legislative Assembly Pension Plan.

These services include:

enrolling employers and plan members in the pension plans,

collecting and recording contributions and other information from employers and plan members,

providing information about pension plan rules and benefits to employers and plan members,

calculating and processing pension benefits,

paying pension benefits and other related benefits to members,

filing documentation with appropriate tax and pension regulators, and

providing policy advice and secretariat services to the pension boards of trustees.

The corporation is located in the Selkirk Development at 2995 Jutland Road in Victoria, BC. It had during this reporting period 250 to 325 staff members. Employees of the corporation are covered by the *Public Service Act* and the *Public Service Labour Relations Act*.

Chair's Message

John Wilson
Chair

IT HAS BEEN MY PRIVILEGE TO BE the first chair of the Pension Corporation Board (the board), and to be part of the corporation's first year of operations. This report reflects the activities of our first year, and provides important information on the actions undertaken by the corporation.

The board has had a busy and productive year. The board was appointed in March 2000 in order to prepare for the commencement of operations of the corporation on April 1, 2000.

We are responsible for ensuring that the Pension Corporation meets its legislative requirements; providing strategic direction to the corporation; annually evaluating and approving strategic plans, business plans and budgets proposed by the corporate executive and pension plan trustees; dealing with issues of significant impact on an ongoing basis as raised by the corporate executive or the board; defining and monitoring corporate performance and taking action as required to ensure corporate sustainability.

In June 2000 the board held a strategic planning retreat. The agenda included developing a draft of the corporation's vision, mission and values statements; defining the role of the board and its level of involvement in providing guidance to the corporation and monitoring the results of strategic initiatives; developing a framework for measuring performance in key areas such as improving client service and developing a framework for decision making and reporting.

The planning session was successful. We agreed upon a draft of the vision and mission statements, and the values to guide the corporation. We also came away with frameworks for measuring performance and for making decisions and reporting.

One of our goals is for the corporation to be one of the best pension benefits administrators in Canada. Providing first-rate service is part of that goal. Unfortunately, service in the past year was below the standard we have set for the future or delivered in the past. In anticipation of significant increases in demand for service the corporation completed the installation of a major new computer system (IPAS—Integrated Pension Administration System) and began to stabilize this system. The corporation also began the process of hiring the many new staff required to deal satisfactorily with the increased demand for service. We are encouraged by improvements in some service levels and expect they will continue to improve.

The board has approved an ambitious three-year business plan. This business plan addresses four critical issues:

improving client satisfaction,

enhancing delivery of information and member services,

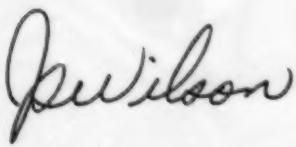
hiring and training staff, and

cleaning historic member data.

As part of our commitment to be responsive to plan member and employer concerns, the business plan includes a Client Satisfaction Project. This project focuses on surveying plan members (actives and retirees) and employers to determine what areas they would like to see improved. The corporation will use the feedback from these surveys to improve its service.

The corporation staff worked through many challenges in 2000-2001. To show our appreciation, the board hosted two staff recognition events. All the board members were present at each event, and this gave us a chance to personally thank the staff for their hard work.

Through the year we have had some change in the board's membership. I thank the members who served on the board, and the members who continue to serve on the board. The past and present members on the board bring a mix of skills, knowledge, wisdom and dedication. These gifts combine to make a strong team that will lead the corporation to being one of the best pension administrators in Canada.



John Wilson, Chair
Pension Management Board
March 31, 2001

Chief Executive Officer's Message

John Mochrie
Chief Executive Officer

As I reflect on the corporation's first year in business, I take pride in what we, as a team, have accomplished. Our theme for this year was one of building—building a new corporate structure, creating our own corporate identity and, more importantly, building a level of trust with plan members, their boards of trustees and within our own walls.

There has been a fundamental change in the management of public sector pension plans with the movement of these plans to joint trusteeship. It was important for us to understand, and have plan members understand, the corporation's role as the administrative agent of the trustees.

Plan members are becoming increasingly interested in their retirement plans earlier in their lives. This, added to the projected increase in service demand due to our aging member base, has prompted us to review how we communicate the often-complex pension rules to plan members and to employers. We are looking at using technology as a communications tool for providing services to plan members.

To prepare ourselves for these increasing demands, we adopted an ambitious three-year business plan that focuses on providing first-class service to plan members and employers. To enhance our accountability to plan members and their trustees, we have established performance measures that are principally based on client satisfaction. We will be conducting regular surveys as a measurement tool of our client's satisfaction.

Our board's goal is for the corporation to be among the best pension administrators in Canada. To achieve this, we need a customer-centred focus, a well-trained staff, accurate and complete member data, and enhanced web-based services. These objectives are the four pillars on which our business plan is based.

This year was a year of stabilization for our new integrated pension administration system. This large and complex computer system tracks the contribution records of more than a quarter of a million members, and calculates purchase costs and members' benefit entitlements.

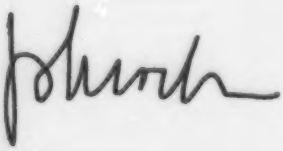
As is the case with implementing most large systems, it takes staff a while to learn the new procedures and work processes. As a result of lower productivity during the introductory phase, and the impact of rule changes in the pension plans that increased service demand, we have a backlog of service requests. However, we have stabilized the system's operation and can see the value that it will offer in responding to our future service demands.

We engaged in an aggressive staffing campaign to increase the number of front-line staff to deal with the backlog and the increasing demands for service. We will feel the benefit of this additional resource as these new staff members become acquainted with their jobs and improve their pension knowledge and skills.

Our accomplishments this year are a result of the hard work of the corporation's dedicated staff. They have responded to the many challenges that we have faced in our inaugural year, and I would like to acknowledge and thank them for their contribution.

I would also like to acknowledge the support that we have received from our board. On several occasions throughout the year the board members have demonstrated their appreciation to the corporation's employees and, on behalf of the staff, I would like to extend our thanks for these meaningful gestures.

I would especially like to thank the trustees of the plans we serve for their patience and understanding during this formative period. We look forward to offering improved service to their members in the future.



John Mochrie
Chief Executive Officer
Pension Corporation

Board Members *as at March 31, 2001*

John Wilson
Chair

Marilyn Duggan
Vice Chair

Bruce Kennedy

Steven Polak

Wayne Scale

Richard Taylor

Bruce Watson

Diane Wood

Executive

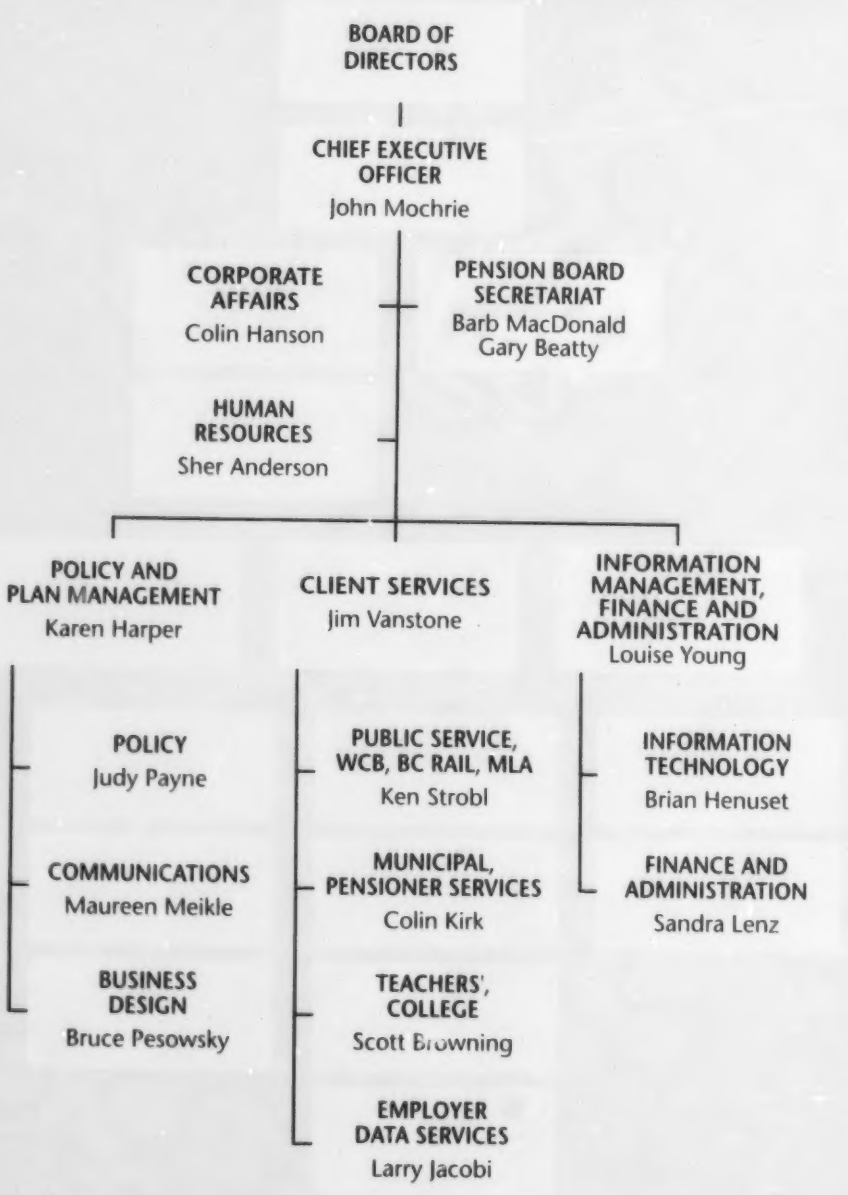
John Mochrie
Chief Executive Officer

Karen Harper
Vice President, Policy and Plan Management

Jim Vanstone
Vice President, Client Services

Louise Young
Vice President, Information Management, Finance and Administration

Pension Corporation Organizational Structure



Accomplishments and Objectives

THE CORPORATION, IN ITS INAUGURAL YEAR, concentrated its efforts in establishing its corporate structure, hiring its new executive and defining its vision, values and approach to business.

During this year, the corporation:

made monthly pension payments to more than 78,000 retired members,

finalized more than 5,800 pensions for plan members,

provided more than 6,300 termination statements for plan members,

distributed approximately 343,000 annual member benefit statements and 242,000 pension adjustment statements,

served more than 800 pension plan employers,

enrolled about 40 new employers and approximately 17,800 new members in the pension plans,

produced about 300 new or revised communication products for plan members and employers,

hired approximately 50 client service staff to meet increased service demands,

developed a framework for staff training and development,

stabilized the Integrated Pension Administration System (IPAS),

defined the corporation's vision, mission and values, and

established a corporate planning process, and developed a three-year business plan.

The three-year business plan is about building a foundation of trust, quality service and accountability. The corporation's principal product, the commodity sought by the plan members, is confidence—confidence that their pension account is accurate; confidence that they will be given the information to maximize their financial security in retirement; confidence that seeking their benefit will be simple and

straightforward; and confidence that in their retirement years their pension account will be properly managed.

The Pension Corporation's goal is to become a model employer and one of the best pension benefit administrators in Canada. To achieve these goals, the corporation has a plan to build a foundation of excellence based on these four pillars:

a client-centred service ethic,

accurate member and employer data,

a well-trained staff, and

technology that delivers information and member services on the corporation's web site.

Over the next three-year period, the major strategic initiatives of the corporation will include:

designing and implementing a comprehensive methodology of client satisfaction surveys and feedback for continuous improvement to service,

working with pension plan boards to simplify pension plan rules and their application,

substantially completing pro-active data research on members 56 and older,

contacting members with interplan portability entitlements,

assessing and refining our pre-retirement information programs,

integrating support for employers, from data submission to plan administration,

developing and implementing a comprehensive employee business training program,

developing a succession plan model,

implementing a performance management system,

evaluating options for the replacement of the pension payment system,

planning for the integration of enhanced web-based services into the operation of the corporation, and

working with employers to improve the quality of member data and partnering with those employers who want to provide pension information and assistance to their employees.

Each of these initiatives represents a considerable challenge to the corporation staff as they continue to respond to the day-to-day service requests from members and boards of trustees.

By the end of the first year, the corporation will have:

developed the methodology for client satisfaction surveys and surveyed a sample of members who have recently retired,

evaluated options for business simplification through changes in pension purchase rules,

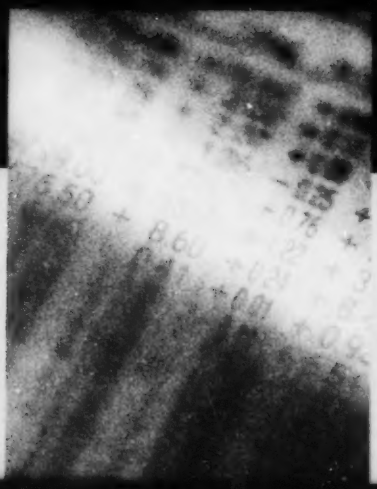
evaluated the technical infrastructure to enable future web-based services,

started on proactive data research and interplan files,

developed a comprehensive three-year training plan and begun business training,

developed a strategy for employer education and improving the quality of data collection, and

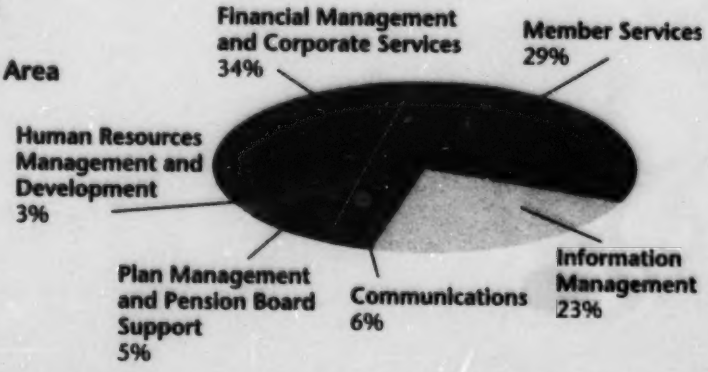
developed partnerships with employers for improving plan administration.



Finances

THE TOTAL OPERATING EXPENDITURES for the corporation in 2000/01 were $26.6 million. The pension funds pay for the total operating and capital budgets, less amortization expense. Roughly one-third of the operating expenses are spent on direct client member services.

Operating Expenses by Service Area

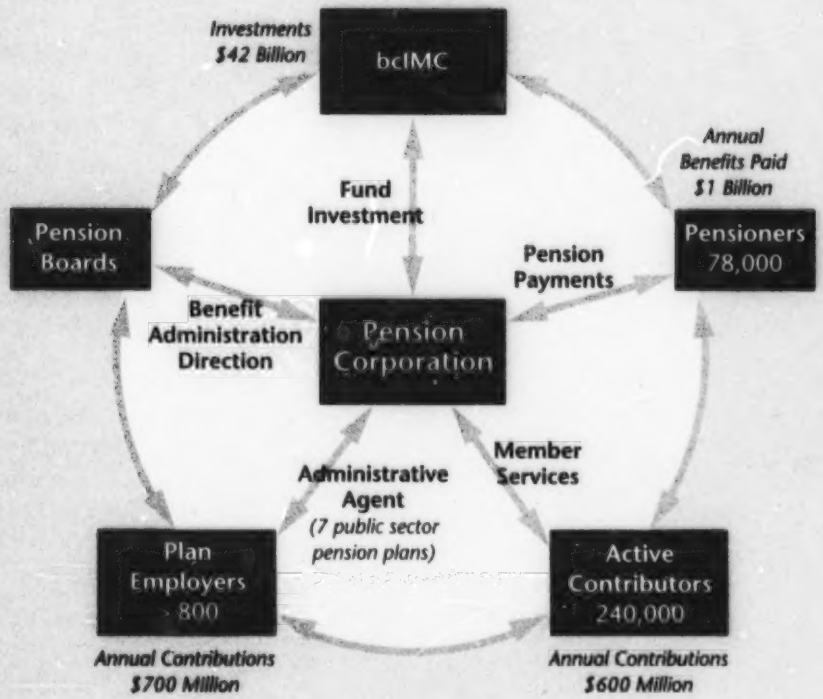

Financial Management and Corporate Services 34%
Member Services 29%
Human Resources Management and Development 3%
Plan Management and Pension Board Support 5%
Communications 6%
Information Management 23%

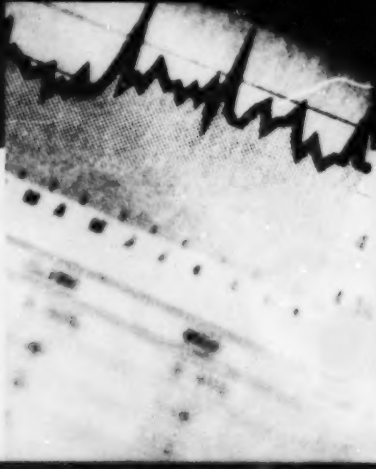
In 2001/02, the total operating budget of the corporation is expected to increase by approximately 20%, to $32.1 million. This increase is significant, and reflects the level of change required to implement the corporation's vision, mission and values and respond to the challenges contained in the three-year business plan. Approximately one-third of this projected increase will be to hire additional front-line service staff to respond to increasing service demand.

Each year the corporation benchmarks its pension administration costs per member against those of major Canadian public sector administrators. For the year 2000/01, the corporation was at $90 per member, which is below the benchmark of average cost per member. For the year 2001/02, the corporation will be at $98 per member, which is slightly less than the average of the benchmarking group.

Business Profile *for 2000/01*

THE PENSION CORPORATION interacts with various groups in different roles. Below is a diagram of major groups the corporation interacts with, and in what capacity.





Future Trends

THE CORPORATION'S PRIMARY BUSINESS DRIVERS are an escalating demand for services, and the increasing complexity of pension administration. While all of the pension plans will experience a modest growth in the number of overall plan members, the numbers of plan members approaching their retirement years will increase at a much faster rate.

Currently, 33% of the active plan members are at age 50 or above. The policy environment in which the corporation operates, both in the plan rules and the related tax implications, continues to grow in complexity. With the evolution of the management and administration of the pension plans to jointly trusteed pension boards, there will be an increased demand for accountability on the corporation as the trustees' administrative agent.

Service demand volumes continue to rise due to a number of key factors:

the aging population,

more complex pension service issues and more knowledgeable plan members,

a rising percentage of members who are addressing retirement planning at an earlier age,

various public sector downsizing, restructuring and early retirement initiatives,

the effect of new and earlier benefit opportunities made available to members, and

modest but steady growth in the member base.

Some Specific Demand Trends

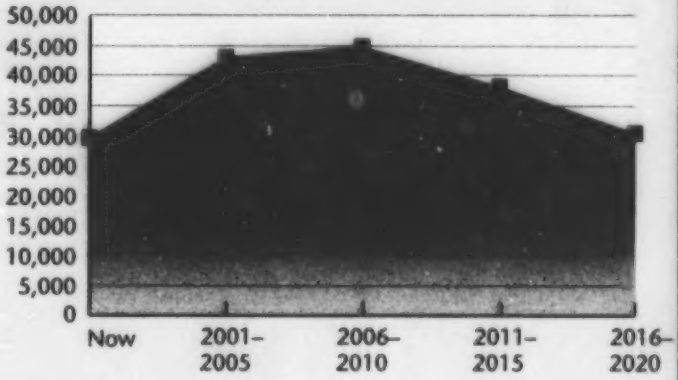
An increasing percentage of our active members is at or nearing first eligible retirement. In 1997, 29% were age 50 or more; now 33% are age 50 or more. A peak number of members will reach first eligibility for retirement (age 55) in the years 2005-2009.

The total number of active members grew 4% from 1996/97 to 2000/01, to reach 240,000 and is expected to continue to grow approximately 3% per year over the next three years.

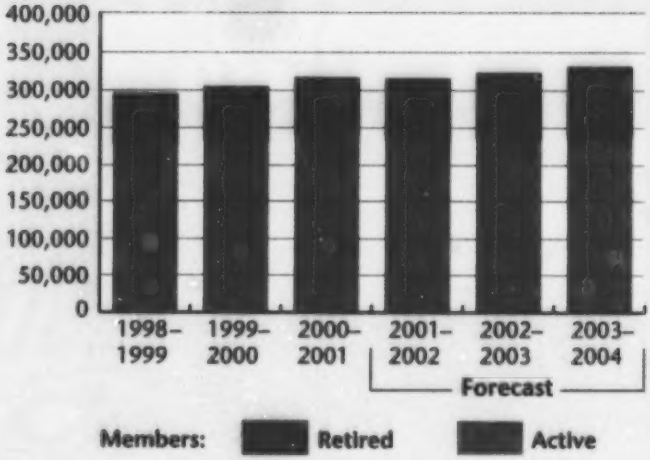
The retired member base has grown to 78,000 (an increase of 18% in the last three years), and is expected to continue to grow over 20% over the next three years. Significant time is involved in group benefit administration, with participation in group benefit plans ranging from about 60% to 80%, depending on the plan.

Total key transaction volumes (retirements, terminations, and purchases of past service) are forecast to continue to increase by 8% per year through to the year 2004.

Number of Active Members Eligible to Retire *(based on age of first eligibility, in five-year ranges)*

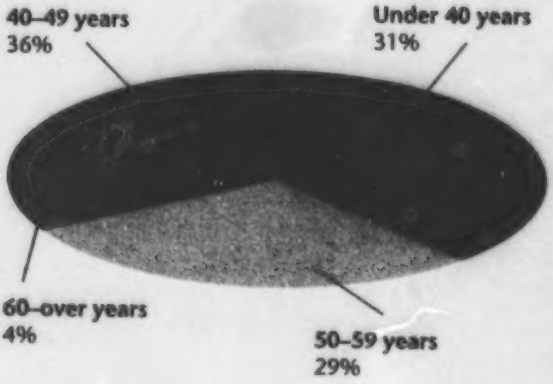


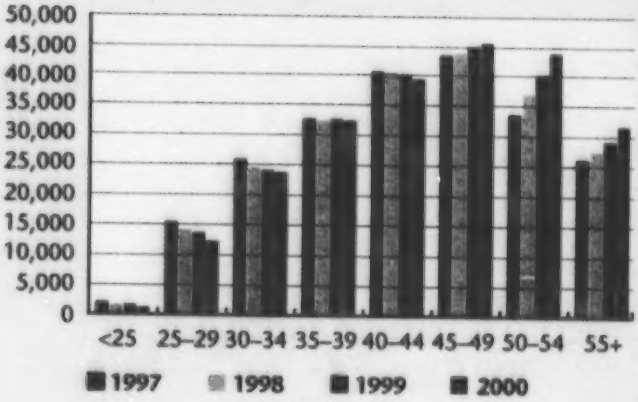
Member Base



Age Profile of Active Members

Age Profile of Active Members
as at March 31, 2001





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Business Service Transaction Profile

Total Key Transactions	**32,637**	**36,800**	**39,950**	**43,300**

***Key transactions:** pension estimates, new pensions, termination service requests, and purchase of service quotes of all kinds.*

Corporate Financial Statements

Report of the Auditor General of British Columbia

To the Members of the Pension Management Board of the British Columbia Pension Corporation, and

To the Legislative Assembly of the Province of British Columbia:

I have audited the balance sheet of the *British Columbia Pension Corporation* as at March 31, 2001 and the statements of revenue and expenses and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test baris, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Pension Corporation* as at March 31, 2001, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 11, 2001

Wayne Strelioff, CA
Auditor General

PENSION
CORPORATION

Executive
Offices

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PO Box 9460
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Victoria BC
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2995 Jutland Road
Victoria BC
V8T 5J9

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250-387-8201
1-800-663-8823
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250-953-0429

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (the corporation) and have been approved by the Board of Directors.

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Board of Directors, primarily through its Audit Committee, is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and annual report and recommends them to the Board for approval. The committee meets with management and external auditors to discuss internal controls, auditing and financial reporting issues.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards. The resulting audit opinion is set out in the Report of the Auditor General attached to these financial statements.

JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation

P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

May 11, 2001

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
AS AT
($ Thousands)

March 31		2001
Assets		
Current:		
Cash and Short-term Investments (Note 4)	$	4,771
Due from Pension Plans (Note 5)		308
Accounts Receivable		35
Prepaid Expense		479
		5,593
Capital Assets (Note 6)		20,109
Total Assets	$	25,702
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable (Note 11)	$	4,255
Accrued Leave Liability		943
Due to the Province of British Columbia (Note 11)		395
Deferred Service Revenue (Note 10)		2,891
		8,484
Long term:		
Deferred Service Revenue (Note 10)		17,218
Shareholder's Equity		
Share Capital (Note 1)		-
Total Liabilities and Shareholder's Equity	$	25,702

The 13 accompanying notes are an integral part of these financial statements.

John Wilson
British Columbia Pension Corporation
Pension Management Board

Marilyn Duggan
British Columbia Pension Corporation
Pension Management Board

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUE AND EXPENSES
($ Thousands)

For the year ended March 31	2001
Revenue	
Service Revenue	$ 26,293
Investment Income	321
Miscellaneous Revenue	17
Total Revenue	26,631
Expenses (Note 7)	
Member Services	7,614
Communications	1,623
Plan Management & Pension Board Support	1,423
Human Resource Management & Development	849
Information Management	6,124
Financial Management & Corporate Services	8,998
Total Expenses	26,631
	$ -

continued

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOW
($ Thousands)

For the year ended March 31		2001
Cash Flow from Operating Activities		
Advance funding received from the pension plans	$	22,381
Cash paid to suppliers and employees		(19,093)
Cash received from the Province - April 1, 2000 transfer (Note 2)		1,140
Investment income received		324
Miscellaneous cash received		18
Total Operating Activities		4,770
Cash Flow from Investing Activities		
Purchase of capital assets		(970)
Cash Flow from Financing Activities		
Capital asset advance funding		970
Increase (Decrease) for the Year		4,770
Cash and Short-Term Investments at Beginning of Year		1
Cash and Short-Term Investments at End of Year	$	4,771

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

1. AUTHORITY AND SHARE CAPITAL

The British Columbia Pension Corporation (the corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The capital of the corporation is one share with a par value of $10. The share is issued and registered in the name of the Minister of Finance and Corporate Relations on behalf of the Province of British Columbia.

2. NATURE OF OPERATIONS

On April 1, 2000, the corporation assumed responsibility for the pension plan administration previously provided by the Superannuation Commission, a division of the Ministry of Finance and Corporate Relations. Also, on April 1, 2000, the Province transferred all of the Commission's capital assets, prepaid expenses, accounts receivable, accounts payable and accrued liabilities to the corporation. All net assets had historically been paid for by the pension funds served by the commission.

The purpose of the corporation is to provide benefit administration services to the trustees responsible for the College, Municipal, Public Service and Teachers' pension plans and to other British Columbia public sector pension clients.

Benefit administration services include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual pension boards.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The corporation's financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting principles.

b) Capital Assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Capital Assets (continued)

Major business application software under development is not amortized until completion and implementation.

Assets costing less than $1,000 are expensed in the year purchased.

c) Revenue Recognition

Funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recorded as operating expenditures are made and as acquired capital assets are amortized to operating costs. Funding received but not yet recognized as revenue is recorded as deferred revenue.

d) Measurement Uncertainty

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Revenue and Expenses at the date of the financial statements. Actual results could differ from these estimates.

4. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund.

Short-term investments consist of money market securities, such as treasury bills with terms of 30 days or less. These investments are recorded at cost, which approximates market.

5. CHARGES TO PENSION PLANS

The corporation charges each pension plan with its respective share of the corporation's operating expenses and capital asset purchases less miscellaneous revenue, investment income and amortization.

	2001 ($ Thousands)
Municipal Pension Plan	$11,242
Public Service Pension Plan	6,198
Teachers' Pension Plan	4,856
College Pension Plan	911
Other plans	452
Total charges to Pension Plans	23,659
Operating advance funding	(22,381)
Capital asset advance funding	(970)
Due from Pension Plans	$ 308

6. CAPITAL ASSETS

	Net Book Value Transferred at April 1, 2000	Net Additions	Accumulated Amortization	Net Book Value March 31, 2001
		($ Thousands)		
Major Business Application Software	$19,014	$ -	$ (1,991)	$17,023
Other Computer Equipment and Software	2,697	504	(1,436)	1,765
Furniture	1,032	255	(174)	1,113
Tenant Improvements	-	219	(11)	208
	$22,743	$ 978	$ (3,612)	$20,109

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7. EXPENSES

Expenses by service area are presented in the Statement of Revenue and Expenses and are defined as follows:

- Member Services includes direct member pre-retirement benefit services, retired member benefit services and employer data services.
- Communications includes development and production of communications products, as well as pre-retirement information seminars.
- Plan Management and Pension Board Support includes plan policy direction, business analysis and pension board secretariat support.
- Human Resource Management and Development includes general human resource management functions, training and development.
- Information Management includes strategic technology project management, ongoing information system support and records management.
- Financial Management and Corporate Services includes financial management (including capital asset amortization), facilities, rent and other support services (including executive).

Expenses by type are as follows:

	2001 ($ Thousands)
Salaries & Benefits	$15,037
Systems Support & Telephones	3,881
Amortization	3,612
Building Rent & Maintenance	1,662
Office Expenses	824
Professional Services	588
Communications	412
Corporate Board Remuneration & Expenses	70
Other (includes travel, regulatory fees, bank charges and insurance)	545
	$26,631

8. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

The corporation and its employees contribute to the Public Service Pension Plan (the plan) in accordance with the *Public Sector Pension Plans Act, S.B.C. 1999, c44*. The plan is a multi-employer contributory defined benefit pension plan. As at March 31, 2001, the corporation has approximately 325 employees contributing to the plan which has approximately 57,000 active contributors.

8. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS (continued)

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2001, employees contributed 5.5% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Salary (YMPE) and 7.0% for salaries above that. The corporation contributed 9% of salary up to the YMPE and 10.5% for salaries above that. Effective April 1, 2001, under the new joint trusteeship agreement for the pension plan, the corporation, as a plan employer, will contribute at 6.5% of salary up to the YMPE and 8.0% for salary above that.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation (March 31, 1999) has determined the plan is in a surplus position. The actuary does not attribute portions of the surplus to individual employers.

Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefit expense.

9. CONTINGENCY

The corporation has been notified of the intention to have it named, in conjunction with other defendants, in a legal proceeding. The proceeding was initiated on a representative basis by a group of former members of the BC Hydro and Power Authority Pension Plan relating to events which occurred in 1980, upon transfer of their employment to the Metro Transit Operating Company, an employer in the Public Service Pension Plan. Legal counsel for the corporation has not been able to identify any basis on which the corporation should be financially responsible for any liability should the corporation actually be named. Due to the vagueness and uncertainties relating to the proceedings, an estimate of any potential loss is not determinable and management considers a loss to the corporation unlikely.

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10. DEFERRED SERVICE REVENUE

The sum of current and long-term deferred service revenue is equal to the net book value of capital assets (Note 6). Total deferred service revenue represents the difference between funding received for capital asset purchases and the related accumulated amortization.

	2001 ($ Thousands)
Deferred Service Revenue April 1, 2000	$22,743
Capital Asset Funding	978
Amortization of Deferred Service Revenue	(3,612)
Deferred Service Revenue March 31, 2001	$20,109

11. RELATED PARTY TRANSACTIONS

As a crown corporation, the corporation engages in transactions with the Province of British Columbia and other crown corporations. Transactions with these entities are considered to be in the normal course of operations.

Included in the accounts payable balance is $3,184,654 due to the Province of British Columbia relating to the payroll processing of the corporation's salaries and benefits.

At March 31, 2001, $394,620 was due to the Province of British Columbia relating to the one-time transfer of net assets that occurred on April 1, 2000 (Note 2).

12. COMMITMENTS

The corporation entered into a service agreement April 1, 2000 with the British Columbia Buildings Corporation to provide existing and future accommodation needs, with the term of the agreement extending to March 31, 2010. The estimated cost for building rental and accomodation services for the year ending March 31, 2002 is $1.7 million. The estimated cost for the years ending March 31, 2003 – 2006 is $1.8 million per year.

13. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable. It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.